Youth with Attitude

Often the financial skills and values that created wealth in the first place don't make it through the generations.

How can you help your children to become stewards of the family legacy, so they hand it over in a better condition than when they received it?

Family wealth specialists **Paul Lucas** and **Alison Foenander** share their thoughts on shaping children's attitudes to money.

Paul Lucas is a Principal with Coleman Greig and has been practising law for over 40 years. He's an accredited adviser with Family Business Australia and holds a certificate in Family Business Advising from the Family First Institute, a global organisation for advisers to family businesses.

Paul Lucas

While some children see their legacy as something they can look after for the next generation, others tend to look at it with a sense of entitlement.

When there's a focus on entitlement, attitudes to money become more consumer-like in nature: 'I have this wealth and I'm going to use it for my own needs'. A sense of entitlement increases the risk of conflict among family members.

Most of us don't intend for our children to think like this, but certain environments can cultivate this attitude. The child who receives almost everything they want is more likely to have an attitude of entitlement.

I've also observed many parents who have difficulty talking to their children about wealth and wealth management. In particular, baby-boomers who've been raised to avoid talking about money; how much they've got, where it came from or what they plan to do with it.

For many, it's easier to think, it's there, and it will continue to be there. When this message is passed to children, entitlement issues can build within their character.

Shifting mindsets

How do you get around this? One way is to set projects for children that develop their financial values and shift them into a mindset of stewardship.

If you've got a family business, a project that often works well is to ask your child to research and put together a history of the business and then get it professionally printed.

Researching where it started, how much was borrowed, the downtimes and the risks taken will give your child an understanding of where the wealth came from. It will also give them a greater appreciation of what had to be done to get the family where they are today.

And so you start to shift their thinking, to 'this is our family legacy inheritance, not my inheritance.'

Skills for life

Within the business there may also be some cost management projects they can get involved in to give them a more strategic view of running a company.

Usually, they'll need help from you, members of the family and employees to achieve these projects. The art of compromise, building trust and working in teams are valuable life skills they can learn from this.

It's just as important to develop their financial skills too. The goal is to give them the knowledge to manage their wealth, rather than just hand them the assets.

There are lots of ways they can learn these skills. They could join an investment club or go on the ASX website and practice share trading so they understand what drives the share price on various companies.

You could also get your children involved in community projects. If you're running a fundraising event, take them along and get them to help out. Even get them to do a budget for it and learn how you have to spend money in order to make money.

It helps when parents give children encouragement with these projects as well as a certain amount of freedom to get on with the job.

Even if they go down a track you don't totally agree with or that is costly; making mistakes can offer the best learning experiences.

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Alison Foenander

I believe financial education should begin at an early age. And it's something everyone should be doing.

While it can be a challenge, you don't need a lot of money to make your children financially astute. It's something everyone can easily practice and quite successfully bring up financially responsible children.

Everyday basics

You can introduce your child to money management simply by talking about it in everyday situations.

It's conversations around the dinner table where children absorb attitudes to money. I'd also say start as early as possible with the basics like pocket money.

But when the pocket money runs out, it should be a finite supply so it teaches financial responsibility. And of course encouraging them to save a portion of this pocket money is a fantastic exercise too.

On the cards

As children get into their teens, it's usually a matter of course for them to get a debit card and savings account. Every time they want to buy something is an opportunity to have a conversation around money.

One thing I'd say however is to be careful with credit cards. They give a child a line of credit they don't really understand, especially if you're paying off the balance for them. If you're going to give your child a credit card, give it for a specific purpose and be quite rigid about its use.

There's also a risk of credit cards teaching the wrong message because they create an 'I can have whatever I want right now' mentality.

Stepping up

As teenagers get a little older and take on more financial responsibility you can slowly start to introduce more complex financial topics.

Larger gifts for turning fifteen, eighteen or twenty one, present an opportunity to talk to your children about what they want to do with their money and how they can make it grow.

But it's all baby steps, it's a long process; I would say it takes about three to four years before they start to get to grips with it.

It's also very much about the parents thinking about what their objectives with financial gifts are. For example, are you trying to set your child up so they can have their own wealth too? In that case it's worth looking at asset protection, how and when the child can access the wealth, as well as any taxation implications.

Young adults and advice

Moving into a world of advisers and financial responsibility can take some young people a while to feel comfortable with and it's not uncommon for an initial resistance.

I often encounter an 'I don't want to know about it, I'd rather just let someone else deal with it', frame of mind, particularly for those who have a large amount of financial responsibility ahead of them.

In these cases, it's a good idea to ask them to think about what they want to do with their wealth and take them through the whole process of what's involved.

The role of the adviser is especially important for young adults who need to become involved with the family business.

A good relationship and rapport between the adviser and child makes the process smoother. It also allows the adviser to act as an impartial outsider who can smooth things over if there are disagreements between parent and child.

I've found not all children will necessarily want to be involved in the family business, but they often need an understanding of it as they may have to take control at some point in the future. Helping them understand the business and its finances is a gradual process and generally takes a few years.

But this process is so important because they become financially aware; if someone puts something in front of them, they're better placed to know whether it's legitimate or not.

For parents, and indeed for me, seeing a young person develop these life skills and really start to understand finance is so rewarding.

Alison Foenander is a chartered accountant and financial adviser with over 25 years experience working with private clients, particularly wealthy family groups. Alison was Senior Client Adviser to The Myer Family Company for over 15 years and now runs a consultancy service specialising in wealth management.